

# **Southeastern Community College**

Financial and Compliance Report

06.30.2004

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## **Southeastern Community College**

### **Officials**

Name	Title	Term Expires
Board of Trustees (After September 2003 Election):		
Janet Fife-LaFrenz	Chairperson/President	2004
Jeff Heland	Vice Chairperson/Vice President	2006
Lanny Hillyard	Member	2004
Moudy Nabulsi	Member	2005
Brian Roth	Member	2005
Area school:		
Jim Richardson	President	
Dick Springsteen	Board Treasurer	
Sherry Zeller	Secretary	

# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report

To the Board of Trustees  
Southeastern Community College  
West Burlington, Iowa

We have audited the accompanying financial statements of the Southeastern Community College, as of and for the year ended June 30, 2004, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Southeastern Community College's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit which represents 100% of the assets and revenues of the discretely presented component unit. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 11 of the Code of Iowa. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Southeastern Community College and its discretely presented component unit, as of June 30, 2004, and the respective changes in financial position and the cash flows where applicable thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 11 to the financial statements, during the year ended June 30, 2004, the College adopted Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, which resulted in the inclusion of Southeastern Community College Foundation as a discretely presented component unit in the College's basic financial statements.

In accordance with *Government Auditing Standards* we have also issued our report dated October 1, 2004 on our consideration of the Southeastern Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Budgetary Comparison Schedule of Expenditures are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southeastern Community College basic financial statements. The statements and schedules listed on the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*McGladrey & Pullen, LLP*

Burlington, Iowa  
October 1, 2004

## **Southeastern Community College**

### **Management's Discussion and Analysis**

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Management of Southeastern Community College provides this Management's Discussion and Analysis of the College's annual financial statements. This narrative overview and analysis of the financial activities of Southeastern Community College is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

### **Financial Highlights**

- College operating revenues increased 12.9% or approximately \$2,091,217. Tuition and fees and federal appropriations increased along with the Iowa Industrial New Jobs Training Program.
- College net nonoperating revenues decreased 5% or approximately \$505,875. State appropriations increased slightly while property taxes and interest earnings declined.
- College operating expenses increased 18% or approximately \$4,366,824. Adult Education and Cooperative services along with liberal arts and sciences increased, while administration decreased.
- The College's net assets decreased 6.5% or approximately \$742,957. Unrestricted Net Assets increased while Restricted and Invested in Capital Assets decreased.

### **Using This Annual Report**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the College's financial activities.

The basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets and a statement of cash flows. These provide information about the activities of the College as a whole and present an overall view of the College's finances.

Notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Required supplementary information further explains and supports the financial statements with a comparison of the College's budget for the year, and the supplementary information provides detailed information about the individual funds of the College.

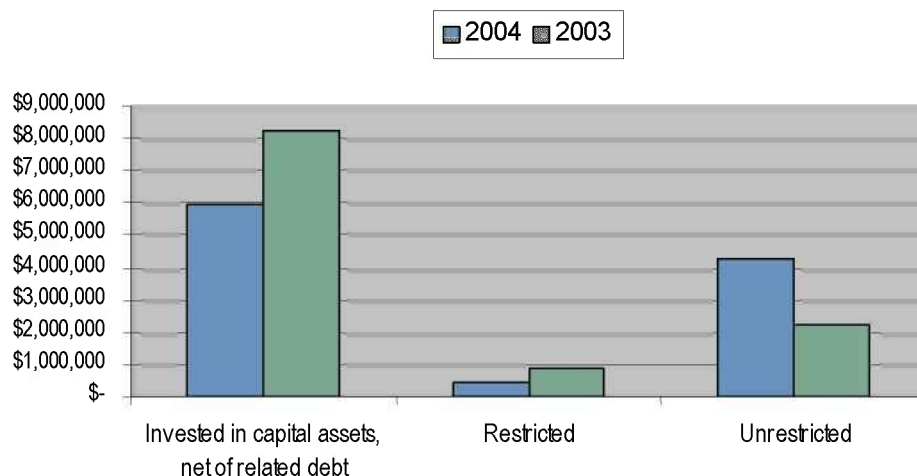
## **Reporting the College's Financial Activities**

**Statement of Net Assets:** The Statement of Net Assets presents the assets, liabilities, and net assets of the College as a whole, as of the end of the fiscal years June 30, 2004 and 2003. The Statement of Net Assets is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the College to the readers of the financial statements. The Statement of Net Assets includes year-end information concerning current and noncurrent assets, current and noncurrent liabilities, and net assets (assets less liabilities). Over time, readers of the financial statements will be able to determine the College's financial position by analyzing the increases and decreases in net assets. This statement is also a good source for readers to determine how much the College owes to outside vendors and creditors. The statement also presents the available assets that can be used to satisfy those liabilities.

### **Net Assets**

	June 30,	
	2004	2003
Current and other assets	\$ 16,704,885	\$ 14,832,364
Capital assets, net of accumulated depreciation	16,623,547	16,575,739
<b>Total assets</b>	<b>33,328,432</b>	<b>31,408,103</b>
Current liabilities	9,678,708	8,950,244
Noncurrent liabilities	12,996,460	11,061,638
<b>Total liabilities</b>	<b>22,675,168</b>	<b>20,011,882</b>
Net assets:		
Invested in capital assets, net of related debt	5,939,022	8,268,896
Restricted	459,679	862,461
Unrestricted	4,254,563	2,264,864
<b>Total net assets</b>	<b>\$ 10,653,264</b>	<b>\$ 11,396,221</b>

### **Comparison of Net Assets**



## **Southeastern Community College**

### **Management's Discussion and Analysis**

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The largest portion of the College's net assets (56%) is the invested in capital assets (e.g., land, buildings, and equipment), less the related debt. The debt related to the invested in capital assets is liquidated with resources other than capital assets. The restricted portion of the net assets (4%) includes resources that are subject to external restrictions. The remaining net assets (40%) are the unrestricted net assets that can be used to meet the College's obligations as they come due.

Statement of Revenues, Expenses, and Changes in Net Assets: Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues received by the College, both operating and nonoperating, and the expenses paid by the College, operating and nonoperating, and any other revenues, expenses, gains, and losses received or spent by the College.

In general, a public college, such as Southeastern Community College, will report an operating loss since financial reporting model classifies state appropriations and property taxes as nonoperating revenues. Operating revenues are received for providing goods and services to the various students, customers, and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the College. Nonoperating revenues are revenues received for which goods and services are not provided. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life.

**Southeastern Community College**

**Management's Discussion and Analysis**

**Change in Net Assets**

	Year Ended June 30,	
	2004	2003
Operating revenues:		
Tuition and fees	\$ 5,682,783	\$ 5,029,072
Federal appropriations	6,982,845	6,792,838
Iowa Industrial New Jobs Training Program	1,124,406	479,913
Auxiliary	1,607,475	1,568,850
Gifts and grants	963,021	843,161
Sales and services	795,538	700,855
Miscellaneous	1,117,707	767,869
<b>Total operating revenues</b>	<b>18,273,775</b>	<b>16,182,558</b>
Total operating expenses	28,633,248	24,266,424
<b>Operating loss</b>	<b>(10,359,473)</b>	<b>(8,083,866)</b>
Nonoperating revenues (expenses):		
State appropriations	7,085,031	7,055,982
Property taxes	3,068,840	3,340,799
Interest earnings	46,485	268,744
Interest on indebtedness	(583,840)	(543,134)
<b>Net nonoperating revenues</b>	<b>9,616,516</b>	<b>10,122,391</b>
<b>Change in net assets</b>	<b>(742,957)</b>	<b>2,038,525</b>
Net assets:		
Beginning	11,396,221	9,357,696
Ending	<u>\$ 10,653,264</u>	<u>\$ 11,396,221</u>
Total revenues, operating and nonoperating	<u>\$ 28,474,131</u>	<u>\$ 26,848,083</u>
Total expenses, operating and nonoperating	<u>\$ 29,217,088</u>	<u>\$ 24,809,558</u>

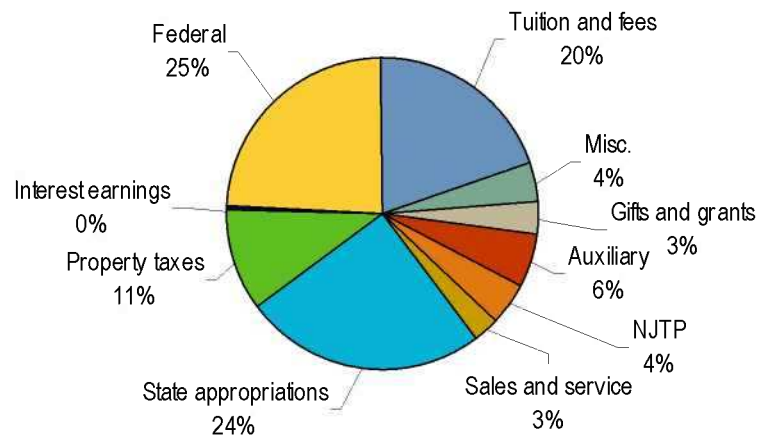
## Southeastern Community College

### Management's Discussion and Analysis

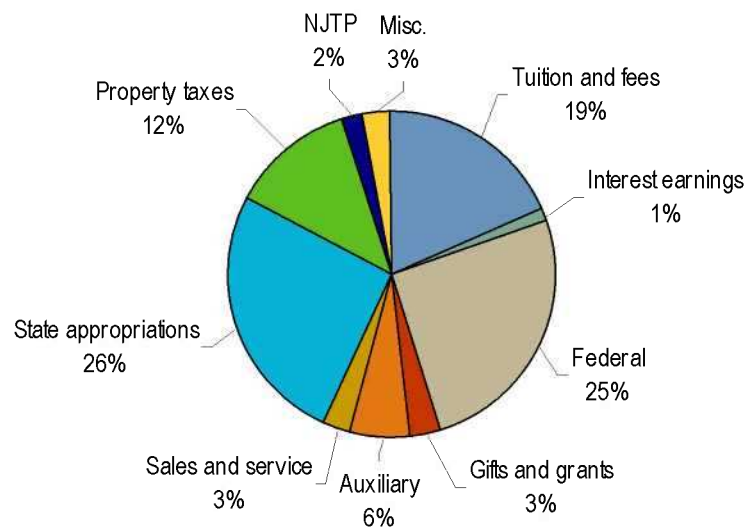
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#### Total Revenue by Source

**2004**



**2003**



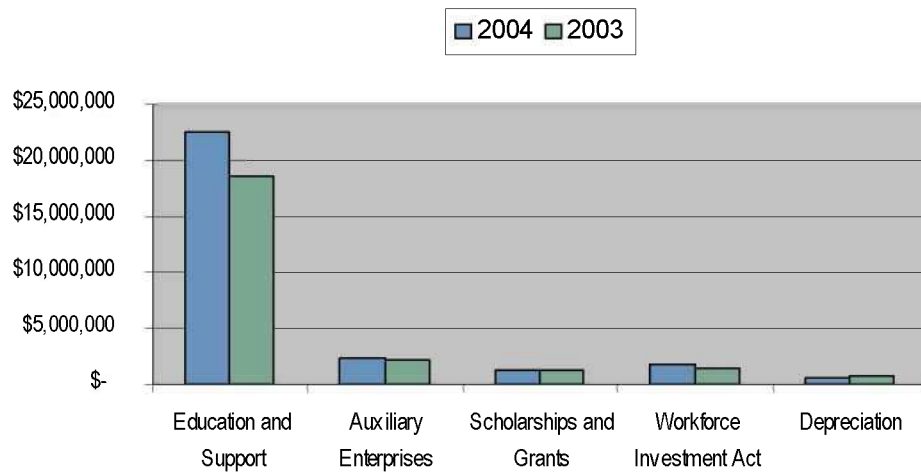
# Southeastern Community College

## Management's Discussion and Analysis

### Operating Expenses

	Year Ended June 30,	
	2004	2003
Education and support:		
Liberal arts and sciences	\$ 3,340,280	\$ 3,144,211
Vocational technical	3,377,608	3,376,494
Adult education	1,889,794	1,703,080
Cooperative services	3,628,874	2,706,991
Administration	1,356,823	1,472,633
Student services	1,967,158	1,903,560
Learning resources	576,206	577,380
Physical plant	2,806,736	1,617,177
General institution	3,614,913	2,114,592
Auxiliary enterprises	2,288,397	2,222,870
Scholarships and grants	1,320,633	1,316,196
Workforce Investment Act	1,843,723	1,477,550
Depreciation	622,103	633,690
<b>Total operating expenses</b>	<b>\$ 28,633,248</b>	<b>\$ 24,266,424</b>

### Operating Expenses



## Southeastern Community College

### Management's Discussion and Analysis

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In fiscal year 2004 total revenues increased \$1,626,048 (6%), and total expenses increased \$4,407,530 (18%). Major fluctuations in revenues and expenses were a result of the following:

- Increased enrollment (3%) and tuition rate (6%).
- Property tax collections decreased \$271,959 (8%).
- Employee wages and benefits increased \$509,049 (4.8%).
- Increase of 74% in Physical Plant expenses as a result of a new \$1,085,332 classroom addition.
- Industrial New Jobs Training Program revenue increased \$644,493 (134%).
- Tuition revenue increased \$979,127 (13%).

Debt Service financing increased in FY04 in the form of a \$1,200,000 Capital Loan Note for a new classroom addition and \$1,985,000 school crossover refinancing bonds. This financing and associated construction impacted revenues, expenses, and net assets. The estimated economic gain of the crossover refinancing bonds between 2006 and 2010 is \$138,345.

Statement of Cash Flows: The Statement of Cash Flows is an important tool in helping the users to assess the College's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing. The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, noncapital financing, capital financing, and investing activities.

#### Cash Flows

	Year Ended June 30,	
	2004	2003
Cash provided by (used in):		
Operating activities	\$ (9,959,153)	\$ (8,485,518)
Noncapital financing activities	10,027,759	10,689,319
Capital and related financing activities	1,136,792	(2,048,301)
Investing activities	986,638	(569,318)
<b>Net increase (decrease) in cash</b>	<b>2,192,036</b>	<b>(413,818)</b>
Cash:		
Beginning	3,077,204	3,491,022
Ending	<u>\$ 5,269,240</u>	<u>\$ 3,077,204</u>

Cash used for operating activities includes tuition, fees, grants, and contracts, net of payments to employees and to suppliers. Cash provided by noncapital financing activities includes state appropriations and local property taxes received by the College. Cash used by capital and related financing activities represents the proceeds from debt, the principal and interest payments on debt, and the purchase of capital assets. Cash provided by investing activities includes investment income earned. Major contributing factor to the 71% increase in ending cash balance is the funds investment of \$1,985,000 for the bonds to be refunded in July 2005.

## Southeastern Community College

### Management's Discussion and Analysis

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## **Capital Assets and Debt Administration**

### **Capital Assets**

As of June 30, 2004, the College has \$16,623,547 invested in capital assets, net of accumulated depreciation of \$8,714,167. Depreciation charges totaled \$622,103 for fiscal year 2004. Details of the capital assets are shown below.

<b>Capital Assets, at Year-End</b>	June 30,	
	2004	2003
Land	\$ 851,980	\$ 851,980
Buildings	20,349,794	19,954,732
Other structures and improvements	1,382,200	1,364,595
Furniture and equipment	2,753,740	2,687,557
<b>Totals</b>	<b>\$ 25,337,714</b>	<b>\$ 24,858,864</b>

Major capital expenditures during fiscal year 2004 were the completion of remodeling of the Fort Madison Center and construction of a new classroom addition to building 400 and construction of a greenhouse in West Burlington, and equipment and technology updates.

More detailed information about the College's capital assets is presented in Note 3 to the basic financial statements.

### **Long-Term Debt**

As of June 30, 2004, the College had \$14,566,638 in debt outstanding, excluding compensated absences of \$324,407 and early retirement payable of \$1,448,735, an increase of \$2,388,795 from 2003. The table below summarizes these amounts by type.

<b>Outstanding Debt</b>	June 30,	
	2004	2003
Certificates payable	\$ 3,830,000	\$ 3,890,000
General obligation school bonds	8,935,000	6,420,000
Dormitory revenue bonds	1,801,638	1,867,843
	<b>\$ 14,566,638</b>	<b>\$ 12,177,843</b>

The 39% increase in general obligation bonds is the result of the debt issued for the new building 400 classroom addition and the issuance of the series 2003 refinancing bonds.

More detailed information about the College's outstanding debt is presented in Note 4 to the basic financial statements.

## **Economic Factors**

Southeastern Community College held its financial position during the fiscal year. However, the condition of the economy in the state continues to be a concern for College officials as additional sources, funds, and cost savings measures are explored. Some of the realities that may potentially become challenges for the College to meet are:

- ◆ Flat lining of State appropriations. State aid for the fiscal year 2004 was increased only .8% above the amount received in fiscal year 2003. This increase is below the current inflation rate of the state. FY05 State aid is scheduled to be up 2%, but is still \$453,150 under the FY01 funding level.
- ◆ Expenses will continue to increase even though the College Board of Trustees approved \$416,028 in cost saving reductions for FY05.
- ◆ Facilities at the College require constant maintenance and upkeep. Associated overhead costs continue to increase as 22,141 square feet of instructional space was added during FY04.
- ◆ Need for additional space and facilities will require up front capital and an increase in operating expense. Approximately 9,100 square feet of new office and instructional training space will be opened in FY05.
- ◆ Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up-to-date technology at a reasonable cost. Purchase and implementation of the Datatel software system will continue during FY05. Up front cost of ownership is substantial with a significant long range return on both investment and operational efficiencies expected.
- ◆ Continued local unemployment higher than the state average requiring additional resources for economic development and worker retraining. The College will relocate the Center for Business and Industry Services operations during FY05 to better meet displaced worker and economic development needs.

The College has had two years of record enrollments. Fiscal year 2005 will see a leveling of enrollment if not a slight decrease. The College will continue to strive to meet the facility, curriculum, and workforce/economic development needs of its students and constituents while maintaining a close watch over resources.

## **Contacting the College's Financial Management**

This financial report is designed to provide our customers, taxpayers in the community college, and our creditors with a general overview of the College's finances and to demonstrate the College's accountability for the resources it receives. If you have questions about the report or need additional financial information, contact Southeastern Community College, 1500 West Agency Road, West Burlington, Iowa 52655.

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# Southeastern Community College

## Statement of Net Assets June 30, 2004

<b>Assets</b>	Primary Institution	Component Unit - Foundation
Current Assets:		
Cash	\$ 5,269,240	\$ 221,498
Investments	4,042,486	2,916,361
Receivables:		
Accounts	898,319	-
Due from other governments	1,259,279	-
Property taxes, succeeding year	2,808,777	-
Other	17,710	34,308
Inventories	376,236	-
<b>Total current assets</b>	<b>14,672,047</b>	<b>3,172,167</b>
Noncurrent Assets:		
Receivables, Iowa Industrial New Jobs Training Program	1,980,725	-
Bond discount and issuance costs	52,113	-
Capital assets:		
Land	851,980	-
Buildings	20,349,794	-
Other structures and improvements	1,382,200	-
Furniture and equipment	2,753,740	-
Accumulated depreciation	(8,714,167)	-
<b>Total noncurrent assets</b>	<b>18,656,385</b>	<b>-</b>
<b>Total assets</b>	<b>\$ 33,328,432</b>	<b>\$ 3,172,167</b>

See Notes to Basic Financial Statements.

<b>Liabilities and Net Assets</b>	Primary Institution	Component Unit - Foundation
Current Liabilities:		
Accounts payable	\$ 2,001,403	\$ 4,586
Salaries and benefits payable	824,277	-
Interest payable	25,836	-
Deferred revenue:		
Succeeding year property tax	2,808,777	-
Other	341,345	-
Early retirement payable	1,448,735	-
Compensated absences	324,407	-
Deposits held in custody for others	333,750	-
Certificates payable	800,000	-
Bonds payable	770,178	-
<b>Total current liabilities</b>	<b>9,678,708</b>	<b>4,586</b>
Noncurrent Liabilities:		
Certificates payable	3,030,000	-
Bonds payable	9,966,460	-
<b>Total noncurrent liabilities</b>	<b>12,996,460</b>	<b>-</b>
<b>Total liabilities</b>	<b>22,675,168</b>	<b>4,586</b>
Net Assets:		
Invested in capital assets, net of related debt	5,939,022	-
Restricted for:		
Scholarships and fellowships	13,144	3,108,831
Loans	5,973	-
Debt service	205,621	-
Cash reserve	231,408	-
Other restricted purposes	3,533	-
Unrestricted	4,254,563	58,750
<b>Total net assets</b>	<b>10,653,264</b>	<b>3,167,581</b>
<b>Total liabilities and net assets</b>	<b>\$ 33,328,432</b>	<b>\$ 3,172,167</b>

# Southeastern Community College

## Statement of Revenues, Expenses, and Changes in Net Assets Year Ended June 30, 2004

	Primary Institution	Component Unit - Foundation
Revenues:		
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$2,836,557	\$ 5,682,783	\$ -
Federal appropriations	6,982,845	-
Iowa Industrial New Jobs Training Program	1,124,406	-
Gifts, grants, and special events	963,021	5,230
Contributions	-	224,196
Sales and services	795,538	-
Auxiliary enterprises revenue, net of scholarship allowances of \$1,001,216	1,607,475	-
Miscellaneous	1,117,707	51,045
<b>Total operating revenues</b>	<b>18,273,775</b>	<b>280,471</b>
Expenses:		
Operating expenses:		
Education and support:		
Liberal arts and sciences	3,340,280	-
Vocational technical	3,377,608	-
Adult education	1,889,794	-
Cooperative services	3,628,874	-
Administration	1,356,823	-
Student services	1,967,158	-
Learning resources	576,206	-
Physical plant	2,806,736	-
General institution	3,614,913	-
Auxiliary enterprises	2,288,397	-
Scholarships and grants	1,320,633	199,584
Workforce Investment Act	1,843,723	-
Depreciation expense	622,103	-
Other	-	65,596
<b>Total operating expenses</b>	<b>28,633,248</b>	<b>265,180</b>
<b>Operating income (loss)</b>	<b>(10,359,473)</b>	<b>15,291</b>
Nonoperating revenues (expenses):		
State appropriations	7,085,031	-
Property taxes	3,068,840	-
Interest earnings	46,485	240,096
Interest on indebtedness	(583,840)	-
<b>Net nonoperating revenues</b>	<b>9,616,516</b>	<b>240,096</b>
<b>Change in net assets</b>	<b>(742,957)</b>	<b>255,387</b>
Net assets:		
Beginning	11,396,221	2,912,194
Ending	<b>\$ 10,653,264</b>	<b>\$ 3,167,581</b>

See Notes to Basic Financial Statements.

# Southeastern Community College

## Statement of Cash Flows Year Ended June 30, 2004

	Primary Institution	Component Unit - Foundation
Cash Flows from Operating Activities:		
Tuition and fees	\$ 5,792,898	\$ -
Federal appropriations	6,937,956	-
Iowa Industrial New Jobs Training Program	502,225	-
Payments to employees for salaries and benefits	(15,011,155)	-
Payments to suppliers for goods and services	(11,674,216)	(87,067)
Cash received as contributions	-	214,404
Cash paid for scholarships	(1,320,633)	(199,584)
Auxiliary enterprise	1,607,475	-
Other receipts	3,206,297	56,275
<b>Net cash (used in) operating activities</b>	<b>(9,959,153)</b>	<b>(15,972)</b>
Cash Flows from Noncapital Financing Activities:		
State appropriations	7,085,031	-
Property taxes	3,068,840	-
Principal paid on certificates payable	(605,000)	-
Proceeds from certificates payable	545,000	-
Miscellaneous Agency Fund receipts	511,406	-
Miscellaneous Agency Fund disbursements	(577,518)	-
<b>Net cash provided by noncapital financing activities</b>	<b>10,027,759</b>	<b>-</b>
Cash Flows from Capital and Related Financing Activities:		
Acquisition of capital assets	(669,911)	-
Proceeds on notes and bonds payable	3,185,000	-
Principal paid on notes and bonds payable	(736,205)	-
Interest paid on long-term debt	(581,095)	-
Bond discount and issuance costs	(60,997)	-
<b>Net cash provided by capital and related financing activities</b>	<b>1,136,792</b>	<b>-</b>
Cash Flows from Investing Activities:		
Interest on investments	41,595	112,865
Purchase of investments	-	(332,130)
Proceeds from the sale of investments	945,043	246,477
<b>Net cash provided by investing activities</b>	<b>986,638</b>	<b>27,212</b>
<b>Net increase in cash</b>	<b>2,192,036</b>	<b>11,240</b>
Cash:		
Beginning	3,077,204	210,258
Ending	<u>\$ 5,269,240</u>	<u>\$ 221,498</u>

(Continued)

**Southeastern Community College**

**Statement of Cash Flows (Continued)**  
**Year Ended June 30, 2004**

	Primary Institution	Component Unit - Foundation
Reconciliation of operating income (loss) to net cash (used in)		
operating activities:		
Operating income (loss)	\$ (10,359,473)	\$ 15,291
Adjustments to reconcile operating income (loss) to net cash		
(used in) operating activities:		
Depreciation	622,103	-
Amortization	8,884	-
Changes in assets and liabilities:		
Decrease in due from other governments	44,889	-
(Increase) in other receivables	(341,689)	(9,792)
Decrease in prepaid expenses	115,225	-
(Increase) in inventories	(17,614)	-
(Increase) in due from Iowa New Jobs Training Program	(622,181)	-
(Decrease) in accounts payable	(154,180)	(21,471)
(Decrease) in salaries and benefits payable	(11,244)	-
(Decrease) in other deferred revenue	(110,115)	-
Increase in compensated absences	16,385	-
Increase in early retirement payable	849,857	-
<b>Total adjustments</b>	<b>400,320</b>	<b>(31,263)</b>
<b>Net cash (used in) operating activities</b>	<b>\$ (9,959,153)</b>	<b>\$ (15,972)</b>

See Notes to Basic Financial Statements.

## **Southeastern Community College**

### **Notes to Basic Financial Statements**

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#### **Note 1. Reporting Entity and Significant Accounting Policies**

##### **Financial reporting entity:**

Southeastern Community College (College) is a publicly supported post-secondary two-year institution established under the provisions of Chapter 260C of the Code of Iowa.

In fulfilling the responsibilities assigned to it by law, Southeastern Community College offers a comprehensive educational program and support services to serve local and state needs. The College offers career education, adult education, and college parallel courses as its curriculum. In addition, the College acts as an agency for the State of Iowa in connection with the Workforce Investment Act. Southeastern Community College maintains campuses in West Burlington, Mt. Pleasant, and Keokuk and has its administrative offices in West Burlington.

Southeastern Community College is a municipal corporation governed by a Board of Trustees, which is elected by the public and has the exclusive responsibility and accountability for the decisions it makes. The College has the statutory authority to adopt its own budget, to levy taxes, and to issue bonded debt without the approval of another government. It has the right to sue and be sued, and has the right to buy, sell, lease, or mortgage property in its own name.

Accounting principles generally accepted in the United States of America require that the financial reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In addition, the GASB issued Statement No. 39, in May 2002, which sets forth additional criteria to determine whether certain organizations for which the College is not financially accountable should be reported as component units based on the nature and significance of their relationship with the College. These criteria include 1) the economic resources being received or held by the separate organization being entirely or almost entirely for the direct benefit of the College, its component units, or its constituents, 2) the College being entitled to, or having the ability to otherwise access, a majority of the economic resources received or held by the College, and 3) the economic resources received or held by an individual organization that the College is entitled to, or has the ability to otherwise access, are significant to the College.

The College is considered to be a primary government and has included Southeastern Community College Foundation as a component unit in their basic financial statements in the current year with the adoption of GASB Statement No. 39 due to the nature of their relationship with the College.

The Southeastern Community College Foundation is a non-profit corporation which is governed by a Board of Directors, the majority of which are appointed by the Board of Trustees of the College. The Foundation's purpose is to support the College through donations to provide scholarships to students, and for the enhancement and extension of facilities, equipment, and services. The Foundation operates on a June 30 fiscal year-end.

##### **Significant accounting policies:**

Financial statement presentation: The basic financial statements (i.e., the statements of net assets, revenues, expenses, and changes in net assets, and cash flows) report information on all of the activities of the College. For the most part, the effect of interfund activity has been removed from these statements.

## Southeastern Community College

### Notes to Basic Financial Statements

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#### Note 1. Reporting Entity and Significant Accounting Policies (Continued)

Measurement focus and basis of accounting: For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities as defined in GASB Statement No. 34. Accordingly, the basic financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Accounting standards: The College is applying all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as following all Financial Accounting Board Statements and Interpretations, Accounting Principles Board Opinion and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB Pronouncements.

Investments: Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost, which approximates fair value. The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Inventories: Inventories are stated at the lower of cost (first-in, first-out) or market, and consist primarily of bookstore inventories held for resale.

Iowa Industrial New Jobs Training Program (NJTP) receivable: This receivable represents the total amount to be remitted to the College for training projects entered into between the College and employers under provisions of Chapter 260E of the Code of Iowa. The receivable amount is based on NJTP project expenditures incurred through June 30, 2004, plus interest incurred on NJTP certificates, less reimbursements received to date.

Property taxes: Property tax receivable is recognized on the levy or lien date, which is the date that the tax request is certified by the Board of Trustees to the appropriate County Auditor. The receivable represents taxes certified by the Board of Trustees to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Trustees is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it was levied.

Capital assets: Capital assets, which include land, buildings, other structures and improvements, and furniture and equipment, are reported. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. No interest costs were capitalized since there were no qualifying assets.

Capital assets are defined by the College as assets with initial, individual costs in excess of \$5,000 and estimated useful life in excess of one year.

## Southeastern Community College

### Notes to Basic Financial Statements

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#### Note 1. Reporting Entity and Significant Accounting Policies (Continued)

Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	50
Other structures and improvements	25
Furniture and equipment	3 - 5

The College does not capitalize or depreciate their library book collection. This collection is unencumbered, held for public education, protected, cared for, and preserved and the proceeds from the sale of library books, if any, is not material to the College.

Salaries and benefits payable: Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Compensated absences: College employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. Amounts representing the cost of compensated absences are recorded as a liability. These liabilities have been computed based on rates of pay in effect at June 30, 2004.

Accrued interest payable: Interest on long-term bonded indebtedness is recorded as a liability when the interest is payable.

Deferred revenue: Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets have not been spent for their intended purpose restriction. Deferred revenue relates primarily to property taxes and to the Iowa NJTP program as the receipt of administrative fees amortized over the ten-year life of each project.

Net assets: Net assets are classified according to restrictions or availability of assets for satisfaction of College obligations. Invested in capital assets, net of related debt represents the net value of capital assets less the debt incurred to acquire or construct the assets. Unspent bond proceeds are not included in this category until used for capital asset purposes. Restricted net assets represent the amounts segregated for specific purposes as allowed by the Code of Iowa, bond covenants, donors, or outside agencies. All remaining net assets are unrestricted for legal purposes, but may be designated for specific purposes. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Bond premiums, discounts, and issuance costs: Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using a method that approximates the effective interest method.

Auxiliary enterprises revenues and expenses: Auxiliary enterprises revenues and expenses primarily represent revenues generated and expenses associated with bookstore, cafeteria, printing, and dormitories.

Summer session: The College operates summer sessions. Revenues and expenses for the summer sessions are recorded in the appropriate fiscal year.

## Southeastern Community College

### Notes to Basic Financial Statements

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#### **Note 1. Reporting Entity and Significant Accounting Policies (Continued)**

Tuition and fees: Tuition and fees revenues are reported net of scholarship allowances, while stipends and other payments made directly to students are presented as scholarship expenses.

Operating and nonoperating activities: Operating activities, as reported in the statement of revenues, expenses, and changes in net assets, are transactions that result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Nonoperating activities include state appropriations, property taxes, and interest earnings.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Scholarship allowances and student aid: Financial aid to students is reported in the financial statements, as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid (loans, funds provided to students as awarded by third parties, and Federal Direct Lending) is accounted for as third-party payments (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses or scholarship allowances which reduce revenue. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition.

#### **Note 2. Deposits and Investments**

The College is authorized by statute to invest public funds in obligations of the U.S. government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts.

As of June 30, 2004, the carrying amount of the College's deposits totaled \$6,939,580, with a bank balance of \$5,186,510. The College's cash and money market funds as of June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund, in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The College invests in the Iowa Schools Joint Investment Trust, which is not subject to risk categorization. The balance as of June 30, 2004 was \$2,372,146.

The College's investments during the year did not vary substantially from those at year-end in amounts or level of risk.

Excluded from the cash and investment amount disclosed immediately above is cash and investments of \$3,137,859, which belongs to Southeastern Community College Foundation, a component unit of the college.

# Southeastern Community College

## Notes to Basic Financial Statements

### Note 2. Deposits and Investments (Continued)

As of June 30, 2004, the College's Foundation cash balance and investments by category of risk were as follows:

Cash, insured by FDIC	\$ 100,000
Cash, collateralized by state sinking fund	121,498
Investments, debt securities, Category 3	1,174,533
Investment, not categorized, beneficial interest in perpetual trusts and investment in land	1,741,828
	<u>\$ 3,137,859</u>

### Note 3. Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
Capital assets not being depreciated, land	\$ 851,980	\$ -	\$ -	\$ 851,980
Capital assets being depreciated:				
Buildings	19,954,732	395,062	-	20,349,794
Other structures and improvements	1,364,595	17,605	-	1,382,200
Furniture and equipment	2,687,557	257,244	191,061	2,753,740
<b>Total capital assets being depreciated</b>	<b>24,006,884</b>	<b>669,911</b>	<b>191,061</b>	<b>24,485,734</b>
Less accumulated depreciation for:				
Buildings	5,283,162	403,037	-	5,686,199
Other structures and improvements	601,304	46,364	-	647,668
Furniture and equipment	2,398,659	172,702	191,061	2,380,300
<b>Total accumulated depreciation</b>	<b>8,283,125</b>	<b>622,103</b>	<b>191,061</b>	<b>8,714,167</b>
<b>Total capital assets being depreciated, net</b>	<b>15,723,759</b>	<b>47,808</b>	<b>-</b>	<b>15,771,567</b>
<b>Total capital assets, net</b>	<b>\$ 16,575,739</b>	<b>\$ 47,808</b>	<b>\$ -</b>	<b>\$ 16,623,547</b>

# Southeastern Community College

## Notes to Basic Financial Statements

### Note 4. Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2004 is as follows:

	Balance June 30, 2003	Additions	Payments	Balance June 30, 2004	Amounts Due Within One Year
Certificates payable (A)	\$ 3,890,000	\$ 545,000	\$ 605,000	\$ 3,830,000	\$ 800,000
General obligation school bonds, Series 1990 (B)	2,490,000	-	300,000	2,190,000	305,000
General obligation school bonds, Series 1995 (C)	3,930,000	-	145,000	3,785,000	160,000
Dormitory revenue bonds, Series 2000 (D)	1,867,843	-	66,205	1,801,638	70,178
General obligation capital loan notes, Series 2003 (E)	-	1,200,000	225,000	975,000	235,000
School refunding bonds, Series 2003 (F)	-	1,985,000	-	1,985,000	-
Compensated absences	308,022	324,407	308,022	324,407	324,407
Early retirement payable	598,878	1,147,511	297,654	1,448,735	1,448,735
<b>Total long-term debt</b>	<b>\$ 13,084,743</b>	<b>\$ 5,201,918</b>	<b>\$ 1,946,881</b>	<b>\$ 16,339,780</b>	<b>\$ 3,343,320</b>

Compensated absences are generally liquidated with unrestricted funds.

- (A) The College has certificates payable with a June 30, 2004 outstanding balance of \$3,830,000, with interest rates ranging from 3.2% to 8.3% per annum. These certificates were issued to finance the development and training costs relative to implementing Chapter 260E of the Code of Iowa, Iowa Industrial New Jobs Training Program (NJTP). NJTP's purpose is to provide tax-aided training for employees of industries which are new to or are expanding their operations within the State of Iowa. Interest on the certificates is due semiannually, while the principal matures annually. The certificates are to be retired from the proceeds of withholding taxes, incremental property taxes and in the case of default, from standby property taxes collected.

The annual debt service requirements on the certificates are as follows:

Year ending June 30:	Principal	Interest	Total
2005	\$ 800,000	\$ 210,440	\$ 1,010,440
2006	750,000	168,383	918,383
2007	585,000	125,803	710,803
2008	535,000	93,745	628,745
2009	290,000	63,563	353,563
2010 - 2013	870,000	109,503	979,503
	<b>\$ 3,830,000</b>	<b>\$ 771,437</b>	<b>\$ 4,601,437</b>

## Southeastern Community College

### Notes to Basic Financial Statements

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#### Note 4. Long-Term Debt (Continued)

- (B) General obligation bonds, Series 1990, rates ranging from 6.5% to 8.5%. Interest is due semiannually and principal is due in varying amounts through 2011. The proceeds of the bond issue were used for various construction projects of the College.
- (C) General obligation bonds, Series 1995, rates ranging from 5.6% to 5.875%. Interest is due semiannually and principal is due in varying amounts through 2015. The bonds proceeds were used for the acquisition of equipment and various construction projects.
- (D) Dormitory revenue refunding bonds, Series 2000, at 6%. Interest is due semiannually and principal is due annually in varying amounts through 2020. The proceeds of the bonds were used for the construction of college apartments.
- (E) General obligation capital loan notes, Series 2003, rates ranging from 1.65% to 3.10%. Interest is due semiannually and principal is due in varying amounts through 2008. The proceeds of the bonds were used for the acquisition of buildings and equipment and various construction projects.
- (F) School refunding bonds, Series 2003, rates ranging from 2% to 3.15%. Interest is due semiannually and principal is due in varying amounts through 2010.

On August 1, 2003, the College issued \$1,985,000 of General Obligation Refunding Bonds in a crossover refunding to be used to refund in advance the 2006 through 2010 maturities of the College's Series 1990 General Obligation Bonds. The refunding is being done to achieve interest cost savings on these issues. Net proceeds of the issue of \$1,960,942 (after an underwriter's discount of \$27,790, plus accrued net of \$3,732) have been placed in escrow and were used to purchase U.S. Government Securities and pay underwriting fees and insurance.

At the anticipated crossover date, July 1, 2005, the College will have reduced its total debt service payments between 2006 and 2010 by \$34,709 and obtained an economic gain (difference between the present values of the refunded and new debt service payments) of \$138,345.

Collateral on the bonds payable is the underlining capital assets that the proceeds were used for.

The debt service requirements on the bonds are as follows:

	Principal	Interest	Total
Year ending June 30:			
2005	\$ 770,178	\$ 555,907	\$ 1,326,085
2006	1,214,388	516,447	1,730,835
2007	1,248,852	464,717	1,713,569
2008	1,318,583	408,968	1,727,551
2009	1,113,598	347,610	1,461,208
2010 - 2014	4,194,400	997,329	5,191,729
2015 - 2019	708,456	182,924	891,380
2020	168,183	10,091	178,274
	<u>\$ 10,736,638</u>	<u>\$ 3,483,993</u>	<u>\$ 14,220,631</u>

As of June 30, 2004, \$205,621 is on deposit in a debt service reserve account for the dormitory revenue bonds and reflected as a restricted net assets. This amount meets the requirements of the bond resolution, which specifies that the College maintain certain minimum amounts in this account until the bonds are retired.

## **Southeastern Community College**

### **Notes to Basic Financial Statements**

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#### **Note 5. Teachers Insurance and Annuity Association - College Retirement Equities Fund**

The College contributes to the Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF) retirement program which is a defined contribution plan. TIAA administers the retirement plan for the College. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible College employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA-CREF, and in accordance with the Code of Iowa, each employee is required to contribute 3.70% and the College is required to contribute 5.75%. The contribution paid by the College for the year ended June 30, 2004 totaled \$294,683 and the contribution paid by employees totaled \$190,331.

#### **Note 6. Iowa Public Employees Retirement System**

The College contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the College is required to contribute 5.75% of annual payroll. Contribution requirements are established by state statute. The College's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$323,679, \$313,883, and \$335,708, respectively, equal to the required contributions for each year.

#### **Note 7. Risk Management Program**

The College is a member in the Insurance Management Program for Area Community Colleges (IMPACC) as allowed by Chapter 504A of the Code of Iowa. IMPACC (Program) is a risk-sharing pool whose members include Iowa Community Colleges. IMPACC was incorporated in May 1988 for the purpose of managing and funding insurance for its members and to provide general liabilities, automobile liability, automobile physical damage, public official bonds, property and inland marine, errors and omissions and School Board legal liability, workers' compensation and employers liability, crime insurance, fiduciary bonds, and boiler and machinery insurance coverage for its member colleges. There have been no reductions in insurance coverage from prior years.

The members' annual contributions are to fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund IMPACC's general and administrative expenses, claims, claim expenses, and reinsurance expenses due and payable in the current year. The College's contributions to the risk-sharing pool are recognized as expenditures at the time of payment. The College's total contributions to IMPACC for the year ended June 30, 2004 were \$240,482.

The Program uses reinsurance to reduce its exposure to large losses. The Program has a self-insured retention of \$100,000 per property/liability, \$50,000 for error/omissions, and \$200,000 for workers' compensation. The policy limit per occurrence is \$900,000 for property/liability, \$950,000 for errors/omissions, and \$150,000 for workers' compensation. Excess insurance for workers' compensation is for statutory limits. Excess for all other lines is \$10,000,000 per occurrence. Property is insured with excess coverage over the self-insured retention of up to \$50,000,000 for boiler and machinery and up to \$101,000,000 for other property. Stop gap loss protection is provided above the member's loss fund.

## **Southeastern Community College**

### **Notes to Basic Financial Statements**

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#### **Note 7. Risk Management Program (Continued)**

In the event any claim or series of claims exceed the amount of aggregate excess insurance, then payment of such claims shall be the obligation of the respective individual member. The College does not report a liability for losses in excess of reinsurance unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, as of June 30, 2004, no liability has been recorded by the College. Settled claims have not exceeded the risk pool or reinsurance coverage in any of the past three fiscal years.

Members agree to continue membership for a period of not less than three full years. After such period, a member who has given sufficient notice, in compliance with the bylaws, may withdraw. Upon withdrawal, payments for all claims and claims expenses for the years of membership continue until all claims for those years are settled.

The College also carries commercial insurance purchased from other insurers for coverage associated with the Workforce Investment Act and for employee health claims. Settled claims have not exceeded the insurance coverage in any of the past three fiscal years.

#### **Note 8. New Jobs Training Program**

The College administers the Iowa Industrial New Jobs Training Program (NJTP) in Area XVI in accordance with Chapter 260E of the Code of Iowa. NJTP's purpose is to provide tax-aided training or retraining for employees of industries that are new to or are expanding their operations within the State of Iowa. Certificates are sold by the College to fund approved projects and are to be retired by proceeds from anticipated jobs credits from withholding taxes, incremental property taxes, budgeted reserves and in the case of default, from standby property taxes. Since inception, the College has administered sixty-one projects with sixteen currently receiving project funding. Of the remaining forty-five projects, seven have been completed with only the repayment of the certificates left and thirty-eight have been completed and the certificates have been repaid (five of the thirty-eight certificates were repaid during the year). Subsequent to year-end, the Board approved certificates in the amount of \$625,000 for a multiple project issuance.

#### **Note 9. Contingent Liability, Early Retirement**

Full-time and certain regular part-time staff, who are between the ages of 55 and 65 and who have at least 10 years of continuous service with the College, are eligible to receive early retirement remuneration. Retirement is to begin at the earlier of the end of the employee's contract or when a suitable replacement is found, if so requested. A staff member who accepts early retirement has three options to choose from as to when the cash benefits will be received. The plan is funded on a pay-as-you-go basis through property tax levies. The College's expenses for the years ended June 30, 2004, 2003, and 2002 were \$1,147,511, \$122,721, and \$1,477,244, respectively. As of June 30, 2004, the potential liability of the College, if all eligible employees accepted early retirement, is approximately \$1,202,000.

## Southeastern Community College

### Notes to Basic Financial Statements

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#### **Note 10. Related Organization and Related Party Transactions**

The College, with the Des Moines County Fair Association and Des Moines County, have voluntarily created a Chapter 28E agreement whose purpose is to construct, maintain, and operate a facility on a 10-acre tract of land within the boundaries of the West Burlington campus. The College's contribution to the agreement represents \$1,506,000 of facilities which the College shares with the parties to the agreement. The College has full use of the facilities except during the county fair. The assets consist primarily of the constructed facilities. The joint venture provides its own current operating support.

The Southeastern Community College Foundation paid the College \$187,360 during the year ended June 30, 2004, for supplies, maintenance expense, support, and scholarship tuition reimbursements. The Foundation received \$21,661 in contributions from Southeastern Community College employee payroll withholdings.

Four of the Foundation's directors are officers with local banks. The Foundation has balances with the banks as follows:

Checking accounts	\$ 221,291
Trust agency accounts, fair market value	1,124,428

The Foundation paid \$4,119 in fees and expenses related to the trust agency accounts.

#### **Note 11. Accounting Change**

For the year ended June 30, 2004, the College implemented Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This Statement amends Statement No. 14 to provide additional guidance to determine whether organizations for which the primary government is not financially accountable should be reported as a component unit based on the nature and significance of their relationship with the primary government. Implementation of this standard resulted in the inclusion of the Southeastern Community College Foundation in the College's basic financial statements.

#### **Note 12. New Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued several Statements not yet implemented by the College. The Statements which might impact the College are as follows:

Statement No. 40, *Deposit and Investment Risk Disclosures*, issued March 2003, will be effective for the College beginning with its year ending June 30, 2005. This Statement establishes and modifies disclosure requirements related to investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. This Statement also establishes and modifies disclosure requirements for deposit risks.

Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, issued November 2003, will be effective for the College beginning with its year ending June 30, 2006. This Statement requires governments to report the effects of capital asset impairment in their financial statements when it occurs and requires all governments to account for insurance recoveries in the same manner.

## Southeastern Community College

### Notes to Basic Financial Statements

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#### **Note 12. New Pronouncements (Continued)**

Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued April 2004, will be effective for the College beginning with its year ending June 30, 2008. This Statement establishes uniform financial reporting standards for other postemployment benefit plans (OPEB plans) and supercedes existing guidance.

Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions*, issued June 2004, will be effective for the College beginning with its year ending June 30, 2009. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and if applicable, required supplementary information in the financial reports.

The College's management has not yet determined the effect these Statements will have on the College's financial statements.

**Southeastern Community College**

**Required Supplementary Information  
Budgetary Comparison Schedule of Expenditures  
Year Ended June 30, 2004**

Funds/Levy	Original Budget	Amended Budget	Actual	Variance Between Actual and Amended Budget
Total unrestricted current fund expenditures			\$ 16,109,989	
Total restricted current fund expenditures			14,517,458	
Less:				
Auxiliary enterprise expenditures			2,375,671	
Workforce Investment Act expenditures			1,850,071	
Scholarships and grants			<u>4,928,401</u>	
Current funds	\$ 20,994,444	\$ 20,994,444	21,473,304	\$ (478,860)
Plant, bonds and interest	1,822,967	3,772,967	3,211,427	561,540
<b>Total</b>	<u>\$ 22,817,411</u>	<u>\$ 24,767,411</u>	<u>\$ 24,684,731</u>	<u>\$ 82,680</u>

See Note to Required Supplementary Information.

## **Southeastern Community College**

### **Note to Required Supplementary Information Budgetary Reporting Year Ended June 30, 2004**

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The Board of Trustees annually prepares a budget designating the proposed expenditures for operation of the College on a basis consistent with accounting principles generally accepted in the United States of America. Following required public notice and hearing, and in accordance with Chapter 260C of the Code of Iowa, the Board of Trustees certifies the approved budget to the appropriate county auditors and then submits the budget to the State Board of Education for approval. The budget may be amended during the year utilizing similar statutory prescribed procedures. Formal and legal budgetary control is based on total operating expenditures.

Budgets are not required to be adopted for the Auxiliary Enterprises subgroup, Workforce Investment Act accounts, scholarships and grants account, Loan Funds, and Agency Funds.

# Southeastern Community College

## Balance Sheet June 30, 2004

Assets	Current Funds	
	Unrestricted	Restricted
Cash	\$ 665,902	\$ 1,868,296
Investments	1,687,480	2,355,006
Receivables:		
Accounts	230,578	646,492
Due from other governments	427,250	492,670
Property taxes, succeeding year	569,909	831,731
Other	1,817	-
Inventories	376,236	-
<b>Total current assets</b>	<b>3,959,172</b>	<b>6,194,195</b>
Noncurrent Assets:		
Receivables, Iowa Industrial New Jobs Training Program	-	1,980,725
Bond discount and issuance costs	-	-
Capital assets:		
Land	-	-
Buildings	-	-
Other structures and improvements	-	-
Furniture and equipment	-	-
Accumulated depreciation	-	-
<b>Total noncurrent assets</b>	<b>-</b>	<b>1,980,725</b>
<b>Total assets</b>	<b>\$ 3,959,172</b>	<b>\$ 8,174,920</b>

See Note to Supplementary Information.

Loan Funds	Plant Funds	Agency Funds	Adjustments	Total
\$ -	\$ 2,695,036	\$ 40,006	\$ -	\$ 5,269,240
-	-	-	-	4,042,486
20,286	-	963	-	898,319
-	29,439	309,920	-	1,259,279
-	1,407,137	-	-	2,808,777
-	15,893	-	-	17,710
-	-	-	-	376,236
20,286	4,147,505	350,889	-	14,672,047
-	-	-	-	1,980,725
-	52,113	-	-	52,113
-	851,980	-	-	851,980
-	20,349,794	-	-	20,349,794
-	1,382,200	-	-	1,382,200
-	2,753,740	-	-	2,753,740
-	-	-	(8,714,167)	(8,714,167)
-	25,389,827	-	(8,714,167)	18,656,385
\$ 20,286	\$ 29,537,332	\$ 350,889	\$ (8,714,167)	\$ 33,328,432

**Southeastern Community College**

**Balance Sheet**  
**June 30, 2004**

<b>Liabilities and Net Assets</b>	Current Funds	
	Unrestricted	Restricted
Current Liabilities:		
Accounts payable	\$ 467,104	\$ 1,435,896
Salaries and benefits payable	772,338	51,939
Interest payable	-	-
Deferred revenue:		
Succeeding year property tax	569,909	831,731
Other	65,065	276,280
Early retirement payable	-	1,448,735
Compensated absences	272,153	52,254
Deposits held in custody for others	-	-
Certificates payable	-	800,000
Bonds payable	-	-
<b>Total current liabilities</b>	<b>2,146,569</b>	<b>4,896,835</b>
Noncurrent Liabilities:		
Certificates payable	-	3,030,000
Bonds payable	-	-
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>3,030,000</b>
<b>Total liabilities</b>	<b>2,146,569</b>	<b>7,926,835</b>
Net Assets:		
Invested in capital assets, net of related debt	-	-
Restricted for:		
Scholarships and fellowships	-	13,144
Loans	-	-
Debt service	-	-
Cash reserve	-	231,408
Other restricted purposes	-	3,533
Unrestricted	1,812,603	-
<b>Total net assets</b>	<b>1,812,603</b>	<b>248,085</b>
<b>Total net assets and liabilities</b>	<b>\$ 3,959,172</b>	<b>\$ 8,174,920</b>

See Note to Supplementary Information.

Loan Funds		Plant Funds		Agency Funds	Adjustments		Total		
\$	14,313	\$	66,951	\$	17,139	\$	-	\$	2,001,403
	-		-		-		-		824,277
	-		25,836		-		-		25,836
	-		1,407,137		-		-		2,808,777
	-		-		-		-		341,345
	-		-		-		-		1,448,735
	-		-		-		-		324,407
	-		-	333,750			-		333,750
	-		-		-		-		800,000
	-		770,178		-		-		770,178
	14,313		2,270,102	350,889			-		9,678,708
	-		-	-			-		3,030,000
	-		9,966,460	-			-		9,966,460
	-		9,966,460	-			-		12,996,460
	14,313		12,236,562	350,889			-		22,675,168
	-		14,653,189	-			(8,714,167)		5,939,022
	-		-	-			-		13,144
	5,973		-	-			-		5,973
	-		111,713	-			-		111,713
	-		-	-			-		231,408
	-		-	-			-		3,533
	-		2,535,868	-			-		4,348,471
	5,973		17,300,770	-			(8,714,167)		10,653,264
\$	20,286	\$	29,537,332	\$	350,889	\$	(8,714,167)	\$	33,328,432

# Southeastern Community College

## Schedule of Revenues, Expenditures, and Changes in Fund Balances Year Ended June 30, 2004

	Current Funds	
	Unrestricted	Restricted
Revenues:		
General:		
Tuition and fees	\$ 7,038,418	\$ 1,480,922
Property taxes	617,046	968,155
State appropriations	6,297,253	605,305
Federal appropriations	6,336	6,976,509
Gifts and grants	-	963,021
Sales and services	201,620	593,918
Interest	29,654	(73,065)
Iowa Industrial New Jobs Training Program	-	1,124,406
Miscellaneous	40,894	1,076,478
Increase in plant investment due to retirement of debt	-	-
Increase in plant investment due to plant expenditures	-	-
	<u>14,231,221</u>	<u>13,715,649</u>
Auxiliary enterprises:		
Sales and services	2,514,066	-
Federal appropriations	12,053	-
Miscellaneous	82,572	-
	<u>2,608,691</u>	<u>-</u>
<b>Total revenues</b>	<u>16,839,912</u>	<u>13,715,649</u>
Expenditures:		
Education and support:		
Liberal arts and sciences	3,369,257	-
Vocational technical	3,298,295	166,360
Adult education	360,960	1,573,660
Cooperative services	690,021	2,945,730
Administration	1,334,328	63,604
Student services	1,237,324	761,482
Learning resources	577,602	-
Physical plant	1,200,184	170,798
General institution	1,666,347	2,057,352
<b>Total education and support</b>	<u>13,734,318</u>	<u>7,738,986</u>
Auxiliary enterprises	2,375,671	-
Scholarships and grants	-	4,928,401
Workforce Investment Act and related	-	1,850,071
Plant asset acquisitions	-	-
Retirement of indebtedness	-	-
Interest on indebtedness	-	-
Depreciation	-	-
Disposal of plant assets	-	-
<b>Total expenditures</b>	<u>16,109,989</u>	<u>14,517,458</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>729,923</u>	<u>(801,809)</u>
Non-mandatory transfers among funds	(663,358)	400,158
Bond proceeds expended for plant assets	-	-
	<u>(663,358)</u>	<u>400,158</u>
<b>Net increase (decrease) in fund balances (deficit)</b>	<u>66,565</u>	<u>(401,651)</u>
Fund balances, beginning of year	1,746,038	649,736
Fund balances (deficit), end of year	<u>\$ 1,812,603</u>	<u>\$ 248,085</u>

See Note to Supplementary Information.

Loan Funds	Plant Funds		Adjustment	Total
	Unexpended	Retirement of Indebtedness	Investment In Plant	
\$ -	\$ -	\$ -	\$ -	\$ (2,836,557)
-	577,385	906,254	-	-
-	182,473	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	86,322	3,574	-	-
-	-	-	-	-
-	335	-	-	-
-	-	-	736,205	(736,205)
-	-	-	669,911	(669,911)
-	846,515	909,828	1,406,116	(4,242,673)
-	-	-	-	(1,001,216)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	(1,001,216)
-	846,515	909,828	1,406,116	(5,243,889)
-	-	-	-	(28,977)
-	-	-	-	(87,047)
-	-	-	-	(44,826)
-	-	-	-	(6,877)
-	-	-	-	(41,109)
-	-	-	-	(31,648)
-	-	-	-	(1,396)
-	1,364,193	85,522	-	(13,961)
-	-	-	-	(108,786)
-	1,364,193	85,522	-	(364,627)
-	-	-	-	(87,274)
-	-	-	-	(3,607,768)
-	-	-	-	(6,348)
-	441,667	-	-	(441,667)
-	-	736,205	-	(736,205)
-	-	583,840	-	-
-	-	-	-	622,103
-	-	-	191,061	(191,061)
-	1,805,860	1,405,567	191,061	(4,812,847)
-	(959,345)	(495,739)	1,215,055	(431,042)
-	87,500	175,700	-	-
-	3,185,000	-	(3,185,000)	-
-	3,272,500	175,700	(3,185,000)	-
-	2,313,155	(320,039)	(1,969,945)	(431,042)
5,973	518,826	206,752	16,552,021	(8,283,125)
\$ 5,973	\$ 2,831,981	\$ (113,287)	\$ 14,582,076	\$ (8,714,167)

**Southeastern Community College**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances -  
Unrestricted Current Funds - Education and Support  
Year Ended June 30, 2004**

	Education			
	Liberal Arts and Science	Vocational Technical	Adult Education	Cooperative Services
Revenues:				
Tuition and fees	\$ 2,777,444	\$ 3,318,046	\$ 410,321	\$ 532,607
Property taxes	-	-	-	-
State appropriations	2,426,648	2,986,643	816,069	-
Federal appropriations	-	-	-	-
Sales and services	-	-	39,875	23,478
Interest	-	-	-	-
Miscellaneous	3,080	18,704	3,000	-
	5,207,172	6,323,393	1,269,265	556,085
Allocation of support services revenue	333,373	433,908	108,025	-
<b>Total revenues</b>	<b>5,540,545</b>	<b>6,757,301</b>	<b>1,377,290</b>	<b>556,085</b>
Expenditures:				
Salaries and benefits	3,281,498	2,636,768	283,812	318,171
Services	50,854	421,966	28,563	209,112
Materials and supplies	31,506	175,002	38,031	56,595
Travel	5,399	13,225	10,554	10,238
Expended for plant assets	-	51,334	-	-
Scholarships	-	-	-	94,188
Miscellaneous	-	-	-	1,717
	3,369,257	3,298,295	360,960	690,021
Allocation of support services expenditures	2,291,198	2,982,155	742,432	-
<b>Total expenditures</b>	<b>5,660,455</b>	<b>6,280,450</b>	<b>1,103,392</b>	<b>690,021</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(119,910)</b>	<b>476,851</b>	<b>273,898</b>	<b>(133,936)</b>
Non-mandatory transfers	-	-	-	-
<b>Net increase (decrease) in fund balances (deficit)</b>	<b>\$ (119,910)</b>	<b>\$ 476,851</b>	<b>\$ 273,898</b>	<b>\$ (133,936)</b>

Fund balance, beginning of year

Fund balance, end of year

See Note to Supplementary Information.

		Support				
Admini- stration	Student Services	Learning Resources	Physical Plant	General Institution	Total	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,038,418	
617,046	-	-	-	-	617,046	
-	-	67,893	-	-	6,297,253	
-	6,336	-	-	-	6,336	
59,899	1,782	3,827	12,359	60,400	201,620	
29,654	-	-	-	-	29,654	
14,382	-	911	745	72	40,894	
720,981	8,118	72,631	13,104	60,472	14,231,221	
(720,981)	(8,118)	(72,631)	(13,104)	(60,472)	-	
-	-	-	-	-	14,231,221	
1,128,496	1,088,451	394,852	651,865	872,480	10,656,393	
111,811	78,560	37,882	415,441	572,288	1,926,477	
55,113	32,137	142,139	118,859	129,396	778,778	
29,920	33,358	2,729	164	6,171	111,758	
-	-	-	13,855	5,750	70,939	
-	-	-	-	-	94,188	
8,988	4,818	-	-	80,262	95,785	
1,334,328	1,237,324	577,602	1,200,184	1,666,347	13,734,318	
(1,334,328)	(1,237,324)	(577,602)	(1,200,184)	(1,666,347)	-	
-	-	-	-	-	13,734,318	
-	-	-	-	-	496,903	
-	(204,033)	-	-	(259,514)	(463,547)	
\$ -	\$ (204,033)	\$ -	\$ -	\$ (259,514)	33,356	
					1,244,705	
					\$ 1,278,061	

**Southeastern Community College**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances -  
Unrestricted Current Funds - Auxiliary Enterprises  
Year Ended June 30, 2004**

	Bookstore	Food Services
Revenues:		
Sales and services	\$ 1,704,707	\$ 148,650
Federal appropriations	9,120	2,933
Miscellaneous	-	29,351
<b>Total revenues</b>	<u>1,713,827</u>	<u>180,934</u>
Expenditures:		
Salaries and benefits	160,447	11,640
Services	4,484	119,022
Materials and supplies	7,082	18,191
Cost of goods sold	1,430,080	11,334
Travel	5,529	177
Expended for plant assets	-	-
Miscellaneous	2,908	-
<b>Total expenditures</b>	<u>1,610,530</u>	<u>160,364</u>
<b>Excess (deficiency) of revenues over expenditures</b>	103,297	20,570
Non-mandatory transfers	<u>(120,000)</u>	-
<b>Net increase (decrease) in fund balances</b>	(16,703)	20,570
Fund balance:		
Beginning	164,831	39,030
Ending	<u>\$ 148,128</u>	<u>\$ 59,600</u>

See Note to Supplementary Information.

Shop Sales	Printing Services	Dormitories	Athletics	Other	Total
\$ 79,644	\$ 136,308	\$ 167,066	\$ 194,214	\$ 83,477	\$ 2,514,066
-	-	-	-	-	12,053
-	-	-	38,760	14,461	82,572
79,644	136,308	167,066	232,974	97,938	2,608,691
-	71,608	-	3,027	-	246,722
-	1,026	41,726	11,784	3,475	181,517
-	4,104	20,140	90,423	34,277	174,217
73,785	33,742	-	-	-	1,548,941
-	-	-	111,904	22	117,632
-	16,038	-	8,379	49,727	74,144
-	-	-	29,590	-	32,498
73,785	126,518	61,866	255,107	87,501	2,375,671
5,859	9,790	105,200	(22,133)	10,437	233,020
-	-	(75,700)	18,139	(22,250)	(199,811)
5,859	9,790	29,500	(3,994)	(11,813)	33,209
39,096	48,854	75,712	6,380	127,430	501,333
\$ 44,955	\$ 58,644	\$ 105,212	\$ 2,386	\$ 115,617	\$ 534,542

# Southeastern Community College

## Schedule of Revenues, Expenditures, and Changes in Fund Balances - Restricted Current Funds Year Ended June 30, 2004

	Scholarships and Grants	Equipment Replacement	Early Retirement	Insurance
Revenues:				
Tuition and fees	\$ -	\$ -	\$ -	\$ -
Property taxes	-	90,269	537,219	227,109
State appropriations	17,220	-	-	-
Federal appropriations	3,742,366	-	-	-
Gifts and grants	963,021	-	-	-
Sales and services	-	-	-	-
Interest	70	-	-	-
Iowa Industrial New Jobs Training Program	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>4,722,677</b>	<b>90,269</b>	<b>537,219</b>	<b>227,109</b>
Expenditures:				
Salaries and benefits	-	-	1,147,511	25,705
Services	-	-	-	246,876
Materials and supplies	-	38,238	-	-
Travel	-	-	-	-
Expended for plant assets	-	25,366	-	-
Interest on indebtedness	-	-	-	-
Federal Pell Grant Program	3,633,848	-	-	-
Supplemental Educational Opportunity Grant (SEOG)	89,000	-	-	-
Other miscellaneous scholarships	1,205,553	-	-	-
Other	-	-	-	-
<b>Total expenditures</b>	<b>4,928,401</b>	<b>63,604</b>	<b>1,147,511</b>	<b>272,581</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(205,724)</b>	<b>26,665</b>	<b>(610,292)</b>	<b>(45,472)</b>
Non-mandatory transfers	201,665	-	-	-
<b>Net increase (decrease) in fund balances (deficit)</b>	<b>(4,059)</b>	<b>26,665</b>	<b>(610,292)</b>	<b>(45,472)</b>
Fund balance (deficit):				
Beginning	17,203	11,319	(875,718)	132,617
Ending	\$ 13,144	\$ 37,984	\$ (1,486,010)	\$ 87,145

See Note to Supplementary Information.

Unemploy- ment Compensation	Workforce Investment Act and Related	Temporary Assistance for Needy Families	Iowa Industrial New Jobs Training Program	Other	Cash Reserve	Total
\$ -	\$ -	\$ -	\$ -	\$ 1,480,922	\$ -	\$ 1,480,922
113,558	-	-	-	-	-	968,155
-	48,492	-	-	539,593	-	605,305
-	1,757,893	443,844	-	1,032,406	-	6,976,509
-	-	-	-	-	-	963,021
-	43,686	-	-	550,232	-	593,918
-	-	-	(73,135)	-	-	(73,065)
-	-	-	1,124,406	-	-	1,124,406
-	-	-	-	1,076,478	-	1,076,478
113,558	1,850,071	443,844	1,051,271	4,679,631	-	13,715,649
29,861	1,037,196	336,221	-	1,536,637	-	4,113,131
-	538,363	31,696	819,560	2,181,219	-	3,817,714
-	120,562	11,504	-	750,952	-	921,256
-	92,208	9,425	-	129,429	-	231,062
-	-	-	-	57,794	-	83,160
-	-	-	213,068	-	-	213,068
-	-	-	-	-	-	3,633,848
-	-	-	-	-	-	89,000
-	-	-	-	33,223	-	1,238,776
-	61,742	54,998	-	59,703	-	176,443
29,861	1,850,071	443,844	1,032,628	4,748,957	-	14,517,458
83,697	-	-	18,643	(69,326)	-	(801,809)
-	-	-	-	198,493	-	400,158
83,697	-	-	18,643	129,167	-	(401,651)
(31,351)	-	-	(18,643)	1,182,901	231,408	649,736
\$ 52,346	\$ -	\$ -	\$ -	\$ 1,312,068	\$ 231,408	\$ 248,085

**Southeastern Community College**

**Schedule of Changes in Deposits Held in Custody for Others -  
Agency Funds  
Year Ended June 30, 2004**

	Retraining 260F	Student Organizations	Total
Balance, beginning of year	\$ 194,556	\$ 205,306	\$ 399,862
Receipts and other additions:			
Fees	-	71,750	71,750
State support	129,572	-	129,572
Sales and services	-	21,163	21,163
Other	-	288,921	288,921
	129,572	381,834	511,406
Disbursements and other deductions:			
Salaries and benefits	-	109,361	109,361
Services	160,807	69,421	230,228
Materials and supplies	-	117,762	117,762
Travel	-	98,372	98,372
Other	-	21,795	21,795
	160,807	416,711	577,518
Balance, end of year	\$ 163,321	\$ 170,429	\$ 333,750

See Note to Supplementary Information.

## **Southeastern Community College**

### **Note to Supplementary Information Year Ended June 30, 2004**

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Statements presented in the supplementary information are reported using the current financial resources measurement focus and the accrual basis of accounting, except for depreciation. The schedule of revenues, expenditures, and changes in fund balances is the statement of financial activities related to the current reporting period. It does not purport to present the results of operations or net income or loss for the period as would a statement of income or a statement of revenues and expenses. In order to ensure observance of limitations and restrictions placed on the use of the resources available to the College, the accounts of the College are maintained in accordance with the principles of "fund accounting". This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions are accounted for and reported by fund group. Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated for specific purposes by action of the governing board. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes.

All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund which owned such assets. Ordinary revenue derived from investments, receivables, and the like, is accounted for in the fund owning such assets.

The College utilizes the following fund groups:

#### **Current funds:**

These funds are utilized to account for those economic resources that are expendable for the purpose of performing the primary and supporting missions of the College.

Unrestricted: These current funds are available for any legally authorized purpose and are used to account for the revenue and expenditures of activities not provided for in other funds.

The education and support subgroup of the unrestricted current funds account for the general operations of the College. All property taxes and other revenue that are not allocated by law or contractual agreement, to some other fund, are accounted for in the subgroup. From this subgroup are paid the general operating expenses, the fixed charges, and the expenditures for plant assets that are not paid from other funds.

The auxiliary enterprises subgroup accounts for activities which are intended to provide non-instructional services for sale to students, staff, and/or institutional departments, and which are supplemental to the educational and general objectives of the College.

Restricted: These current funds are used to account for amounts received which are subject to restrictions made by donors or outside agencies.

The scholarship and grants subgroup of the restricted current funds account for resources available for awards to students which are not in payment of services rendered to the College and which will not require repayment to the College.

## **Southeastern Community College**

### **Note to Supplementary Information Year Ended June 30, 2004**

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The College has agreements with various businesses under the Iowa Industrial New Jobs Training Program (NJTP). The College administers the program, with the revenues and expenditures being restricted by the state for use in this program. The College is accounting for the activity of the NJTP in the restricted current funds.

#### **Loan funds:**

These funds are used to account for student loan transactions.

#### **Plant funds:**

Plant funds account for the transactions related to the investment in physical properties and consist of the following self-balancing subfunds:

Unexpended - This subfund is used to account for the unexpended resources derived from various sources for the acquisition or construction of plant assets.

Retirement of indebtedness - This subfund is used to account for the accumulation of resources for principal and interest payments on plant indebtedness.

Investment in plant - This subfund is used to account for the excess of the carrying value of plant assets over the related liabilities.

#### **Agency funds:**

These funds are used to account for assets held by the College as custodian or fiscal agent for others. Accordingly, the transactions of these funds do not affect the schedule of revenues, expenditures, and changes in fund balances.

# Southeastern Community College

## Schedule of Credit and Contact Hour Enrollment Year Ended June 30, 2004

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and sciences	38,968	-	38,968	750,862	-	750,862
Vocational preparatory	37,719	-	37,719	977,300	-	977,300
Adult/continuing education	-	-	-	230,128	13,178 *	243,306
Related services and activities	-	-	-	-	75,772	75,772
	76,687	-	76,687	1,958,290	88,950	2,047,240

\*Includes 240 hour adjustment of 2,460 hours.

# Southeastern Community College

## Schedule of Credit and Contact Hours Last Five Years

	Arts and Sciences	Vocational Education	Adult Education/ Continuing Education	Cooperative Programs/ Services	Related Services and Activities	Total
2004:						
Total contact hours	750,862	977,300	243,306	-	75,772	2,047,240
Total credit hours	38,968	37,719	-	-	-	76,687
2003:						
Total contact hours	781,813	918,831	253,058	-	132,191	2,085,893
Total credit hours	39,664	34,968	-	-	-	74,632
2002:						
Total contact hours	728,081	890,058	292,871	-	146,469	2,057,479
Total credit hours	37,303	34,187	-	-	-	71,490
2001:						
Total contact hours	678,603	746,799	298,913	-	168,027	1,892,342
Total credit hours	34,583	27,973	-	-	-	62,556
2000:						
Total contact hours	672,862	717,202	304,578	24,480	154,240	1,873,362
Total credit hours	34,326	27,219	-	-	-	61,545

**Southeastern Community College**

**Comparison of Taxes and Intergovernmental Revenues  
Last Four Years**

	Year Ended June 30,			
	2004	2003	2002	2001
Local (property tax)	\$ 3,068,840	\$ 3,340,799	\$ 2,230,411	\$ 2,372,788
State	7,085,031	7,055,982	7,680,939	8,433,223
Federal	6,982,845	6,792,838	6,036,922	4,365,967
	<u>\$ 17,136,716</u>	<u>\$ 17,189,619</u>	<u>\$ 15,948,272</u>	<u>\$ 15,171,978</u>

# Southeastern Community College

## Current Fund (Unrestricted and Restricted) Revenue by Source Last Four Years

	Year Ended June 30,			
	2004	2003	2002	2001
State appropriations	\$ 6,902,558	\$ 6,889,315	\$ 7,350,429	\$ 8,261,202
Tuition and fees	8,519,340	7,540,213	7,032,171	5,745,895
Property tax	1,585,201	1,829,534	1,327,389	1,438,481
Federal appropriations	6,982,845	6,792,838	6,036,922	4,361,362
Interest earnings	(43,411)	182,227	540,620	293,295
Iowa Industrial New Jobs Training Program	1,124,406	479,913	449,246	598,268
Auxiliary enterprises	2,608,691	2,480,653	2,198,742	2,134,633
Miscellaneous	2,875,931	2,283,838	1,555,006	1,445,948
	<u>\$ 30,555,561</u>	<u>\$ 28,478,531</u>	<u>\$ 26,490,525</u>	<u>\$ 24,279,084</u>

# Southeastern Community College

## Current Fund (Unrestricted and Restricted) Expenditures by Function Last Four Years

	Year Ended June 30,			
	2004	2003	2002	2001
Liberal arts and sciences	\$ 3,369,257	\$ 3,162,599	\$ 3,030,141	\$ 2,988,082
Vocational technical	3,464,655	3,509,506	3,203,983	2,871,893
Adult education	1,934,620	1,732,573	2,064,459	2,435,964
Cooperative services	3,635,751	2,719,261	2,664,713	2,624,866
Administration	1,397,932	1,511,720	1,444,772	1,460,310
Student services	1,998,806	1,949,628	1,800,522	1,765,738
Learning resources	577,602	580,175	599,342	576,379
Physical plant	1,370,982	1,209,787	1,194,875	1,283,931
General institution	3,723,699	2,202,684	3,526,765	2,526,797
Auxiliary enterprises	2,375,671	2,264,833	1,899,681	1,831,452
Scholarships and grants	4,928,401	4,523,246	3,506,357	2,191,464
Workforce Investment Act	1,850,071	1,484,087	1,660,739	838,050
	<u>\$ 30,627,447</u>	<u>\$ 26,850,099</u>	<u>\$ 26,596,349</u>	<u>\$ 23,394,926</u>

# Southeastern Community College

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2004

Federal Grantor/ Pass-Through Grantor/Program Name	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	New Loans
<b>U.S. Department of Education:</b>				
Direct Programs:				
Student Financial Assistance:				
Federal Supplemental Educational Opportunity Grants (SEOG)	84.007		\$ 89,000	\$ -
Federal Family Education Loans (FFEL)	84.032		-	2,116,124
Federal Work Study Program (FWS)	84.033		137,487	-
Federal Pell Grant Program	84.063		3,641,493	-
<b>Total Student Financial Assistance Cluster</b>			<b>3,867,980</b>	<b>2,116,124</b>
TRIO-Student Support Services	84.042A		293,735	-
TRIO-Talent Search	84.044A		193,201	-
TRIO-Upward Bound	84.047A		231,131	-
<b>Total TRIO Cluster</b>			<b>718,067</b>	<b>-</b>
			<b>4,586,047</b>	<b>2,116,124</b>
Passed through Iowa Department of Education:				
Vocational Education - Basic Grants to States:				
Carl Perkins	84.048A	6805010000	299,574	-
WWW.NL	84.048A	6805020000	34,329	-
			333,903	-
Carol Perkins - Corrections	84.048A	N/A	12,845	-
Tech-Prep Education	84.243A	6806010000	67,729	-
Adult Education - State Grant Program	84.002	N/A	265,048	-
			679,525	-
<b>Total U.S. Department of Education</b>			<b>5,265,572</b>	<b>2,116,124</b>
<b>U.S. Department of Agriculture:</b>				
Passed through Iowa Department of Education				
Summer Foods Program	10.559	N/A	\$ 5,768	\$ -

(Continued)

**Southeastern Community College**

**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended June 30, 2004**

Federal Grantor/ Pass-Through Grantor/Program Name	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	New Loans
<b>U.S. Department of Labor:</b>				
Passed through Iowa Department of Workforce Development:				
Workforce Investment Act (WIA) - Adult Program	17.258	1-W-16-FR-1	\$ 394,789	\$ -
Workforce Investment Act (WIA) - Youth Activities	17.259	1-W-16-FR-1	363,826	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	1-W-16-FR-1	501,529	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	4-W-PF-RR-0-24	1,182	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	1-W-FR-WO-0-15	7,163	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	1-W-FR-WO-2-15	197,995	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	3-W-FR-W3-0-03	176,767	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	3-W-FR-W3-1-03	22,892	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	4-W-PF-RR-0-14	3,476	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	3-W-PF-RR-0-38	6,439	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	3-W-PF-RR-0-35	1,346	-
<b>Total Workforce Investment Act Cluster</b>			<u>1,677,404</u>	<u>-</u>
Employment Service	17.207	1-W-16-FR-0	32,704	-
Local Employment Representatives Program	17.804	1-W-16-FR-0	4,655	-
<b>Total Employment Services Cluster</b>			<u>37,359</u>	<u>-</u>
Unemployment Insurance	17.225	1-W-16-FR-0	30,880	-
Passed through Iowa Department of Education:				
Veterans' Employment Program, DVOP	17.801	N/A	1,346	-
Veterans' Employment Program	17.802	N/A	708	-
<b>Total U.S. Department of Labor</b>			<u>1,747,697</u>	<u>-</u>
<b>U.S. Department of Health and Human Services:</b>				
Passed through Iowa Department of Workforce Development,				
Temporary Assistance for Needy Families	93.558	1-W-16-FR-0	443,844	-
Passed through Iowa Department of Public Health:				
Nursing Assistance Projects	93.300	5884NW07	29,548	-
Nursing Assistance Projects	93.222	5883NW07	25,290	-
Nursing Assistance Projects	93.222	5883NW13	13,710	-
			<u>68,548</u>	<u>-</u>
<b>Total U.S. Department Health and Human Services</b>			<u>512,392</u>	<u>-</u>
<b>U.S. Department of Corrections:</b>				
Passed through Iowa Department of Corrections,				
Title I Corrections	84.013A	N/A	25,000	-
<b>Federal Mediation and Conciliation Service:</b>				
Passed through Iowa Department of Workforce Development,				
Labor Management Cooperation	34.002	N/A	10,906	-
<b>Library of Congress:</b>				
Direct Program:				
Women as Leaders - Open World Russian Leadership Program	42.XXX	N/A	7,000	-
<b>Total federal awards expended</b>			<u>\$ 7,574,335</u>	<u>\$ 2,116,124</u>

See Notes to Schedule of Expenditures of Federal Awards.

## **Southeastern Community College**

### **Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2004**

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#### **Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Southeastern Community College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

#### **Note 2. Student Financial Assistance**

The College is responsible only for the performance of certain administrative duties with respect to the Federal Direct Student Loan Program, and accordingly, these loans are not included in its financial statements. It is not practical to determine the balance of the loans outstanding to students and former students of the District under this program as of June 30, 2004.

**Southeastern Community College**

**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2004**

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The prior year single audit disclosed no significant findings and no significant uncorrected or unresolved findings existing from prior single audits, other than the following finding related to required statutory reporting.

**Required Statutory Reporting:**

	Credit/Contact Hours	Corrective Action
2003	There were some discrepancies in categories within adult education.	For contract hours, see current year finding IV-J-04.

# McGladrey & Pullen

Certified Public Accountants

**Independent Auditor's Report  
on Internal Control and on Compliance and Other Matters over  
Financial Reporting Based on an Audit of the Financial Statements  
Performed in Accordance with Government Auditing Standards**

To the Board of Trustees  
Southeastern Community College  
West Burlington, Iowa

We have audited the financial statements of Southeastern Community College as of and for the year ended June 30, 2004, and have issued our report thereon dated October 1, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 11 of the Code of Iowa. We did not audit the financial statements of the discretely presented component unit which represents 100% of the assets and revenues of the discretely presented component unit. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit, is based solely on the reports of the other auditors.

The discretely presented component unit's financial statements were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not extend to the discretely presented component unit.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which we have reported to management of the College in a separate letter dated October 1, 2004.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southeastern Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about Southeastern Community College's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of Southeastern Community College. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report is intended solely for the information and use of the Board of Trustees, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*McGladrey & Pullen, LLP*

Davenport, Iowa  
October 1, 2004

# McGladrey & Pullen

Certified Public Accountants

## **Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133**

To the Board of Trustees  
Southeastern Community College  
West Burlington, Iowa

### **Scope of this Report**

We did not audit the compliance with the requirements of laws, regulations, contracts, and grants of the discretely presented component unit, and accordingly, this report does not extend to the discretely presented component unit. Southeastern Community College's basic financial statements include the financial statements of Southeastern Community College Foundation, a discretely presented component unit, which was audited by other auditors.

### **Compliance**

We have audited the compliance of Southeastern Community College with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, that are applicable to each of its major federal programs for the year ended June 30, 2004. The Southeastern Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Southeastern Community College's management. Our responsibility is to express an opinion on the Southeastern Community College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 11 of the Code of Iowa. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Southeastern Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Southeastern Community College's compliance with those requirements.

In our opinion, Southeastern Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Item 04-III-A.

### **Internal Control Over Compliance**

The management of Southeastern Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Southeastern Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over compliance which we have reported to management of the College in a separate letter dated October 1, 2004.

This report is intended solely for the information and use of the Board of Trustees, management, federal awarding agencies, pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*McGladrey & Pullen, LLP*

Davenport, Iowa  
October 1, 2004

**Southeastern Community College**

**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2004**

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**I. Summary of Independent Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? ☐ Yes ☒ No
- Reportable condition identified that is not considered to be a material weakness? ☐ Yes ☒ None Reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

**Federal Awards**

Internal control over major programs:

- Material weakness identified? ☐ Yes ☒ No
- Reportable condition identified that is not considered to be a material weakness? ☐ Yes ☒ None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☒ Yes ☐ No

Identification of major programs:

CFDA Number	Name of Federal Program
84.007	Federal Supplemental Educational Opportunity Grants (SEOG)
84.032	Federal Family Education Loans (FFEL)
84.033	Federal Work Study Program (FWS)
84.063	Federal Pell Grant Program
93.558	Temporary Assistance for Needy Families

Dollar threshold used to distinguish between type A and type B programs

\$ 300,000

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

**Southeastern Community College**

**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2004**

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**II. Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards**

A. Reportable Conditions in Internal Control

The audit of the basic financial statements of Southeastern Community College as of and for the year ended June 30, 2004 disclosed no matters involving internal control over financial reporting and its operations that are considered to be material weaknesses.

B. Compliance Findings

The audit disclosed no instances of noncompliance which are material to the basic financial statements of Southeastern Community College as of and for the year ended June 30, 2004.

**III. Findings and Questioned Costs for Federal Awards**

**04-III-A**

Instance of Noncompliance

**U.S. Department of Education**  
**Federal Pell Grant Program (CFDA 84.063)**

Finding: Return of Title IV funds (PELL) was not made timely for one student.

Questioned Costs: None

Condition: The College did not meet the deadline for return of Title IV funds within 30 days.

Criteria: The Office of Management and Budget Circular A-133, *Compliance Supplement*, requires that the institution deposit or transfer the funds into the federal funds account, initiate an electronic transfer, or issue a check within 30 days of becoming aware that a student has dropped.

Recommendation: We recommend that the College review student withdrawal listings on a regular basis and work with technical support to ensure that submissions of Title IV fund returns are initiated in a timely manner.

Response and Corrective Action Plan: The College will review student withdrawal listings on a regular basis and work with technical support to ensure that submissions of Title IV fund returns are initiated in a timely manner.

## Southeastern Community College

### Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

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#### IV. Other Findings Related to Required Statutory Reporting

##### IV-A-04 Official Depositories

Official depositories have been adopted by the Board. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

##### IV-B-04 Certified Budget

Disbursements during the year ended June 30, 2004 did not exceed the amounts budgeted in total.

##### IV-C-04 Questionable Expenditures

No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

##### IV-D-04 Travel Expense

No expenditures of College money for travel expenses of spouses of College officials or employees were noted. No travel advances to College officials or employees were noted.

##### IV-E-04 Business Transactions

No business transactions between the College and College officials or employees were noted.

##### IV-F-04 Bond Coverage

Surety bond coverage of College officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

##### IV-G-04 Board Minutes

No transactions were found that we believe should have been approved in the Board minutes but were not.

##### IV-H-04 Publication

The College published a statement showing all receipts and disbursements of all funds for fiscal year 2004, including the names of all persons, firms, or corporations to which disbursements were made, as required by Section 260C.14(12) of the Code of Iowa

##### IV-I-04 Deposits and Investments

No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the College's investment policy were noted.

**Southeastern Community College**

**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2004**

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IV-J-04 Credit/Contact Hours

Eligible credit and contact hours reported to the Iowa Department of Education by the College were supported by detailed records maintained by the College except for the misclassification of contact hours, as shown below:

	Contact Hours Reported	Total per Supporting Documentation	Difference
<hr/>			
Adult Education:			
Miscellaneous:			
Family/Individual Development	6	7	(1)
Leisure/Recreational	84	87	(3)

Recommendation - College should verify that the number of contact hours reported for each non-credit course agrees to the class schedule.

Response and Corrective Action - College will investigate the discrepancies which appear to be in the continuing education software.

Conclusion - Response accepted.

## **Southeastern Community College**

### **Corrective Action Plan Year Ended June 30, 2004**

Comment Number	Comment	Corrective Action Plan	Contact Person	Initial Date of Communication	Anticipated Date of Completion
<b>Compliance Findings:</b>					
04-III-A	Untimely PELL refunds	See corrective action plan at 04-III-A.	Gwen Scholar, Student Financial Aid Director	June 2004	June 2005
<b>Statutory Reporting:</b>					
IV-J-04	Misclassification of contract hours	See corrective action plan at IV-J-04.	Annette Peterson, Controller	June 2002	June 2005